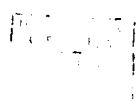


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HERSHEY

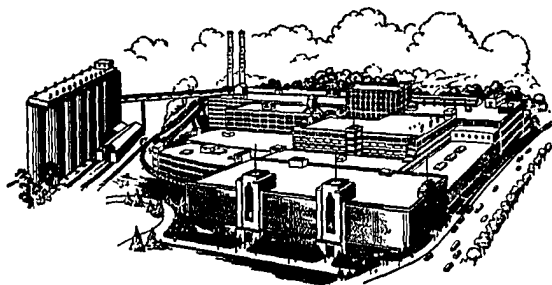
CHOCOLATE CORPORATION

ANNUAL REPORT
DECEMBER 31, 1952

HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant

BOARD OF DIRECTORS

P. A. STAPLES, *Chairman*

J. J. GALLAGHER

L. W. MAJER

P. N. HERSHEY

W. E. SCHILLER

S. F. HINKLE

D. PAUL WITMER

OFFICERS

P. A. STAPLES, *President*

L. W. MAJER, *Secretary*

W. E. SCHILLER, *Treasurer and Comptroller*

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY
NEW YORK

REGISTRAR

GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders of

Hershey Chocolate Corporation:

The year 1952 was the twenty-fifth anniversary of the incorporation of the Hershey Chocolate Corporation, and 1953 is the fiftieth anniversary of the founding by Milton S. Hershey of the community of Hershey, Pennsylvania. Our chocolate business was originally started by Mr. Hershey in Lancaster, Pennsylvania, in 1893 and ten years later relocated in Hershey. Since 1928, the first full year's operation of the present Corporation, the sales have increased from \$38,000,000 to over \$150,000,000, and Common stock dividends have been paid for the last twenty-three consecutive years.

We are enclosing with our annual report a brochure which we think will be of interest to you. I wish to point out, however, that none of the activities referred to, except the chocolate and cocoa plant, is either owned or operated by the Hershey Chocolate Corporation.

Sales for 1952 of \$152,663,083 were lower than the sales of \$154,260,409 for 1951. The prolonged heat wave during last summer adversely affected sales; however, these 1952 sales do reflect to a certain degree the effect of the relief granted by the general amendment of the governmental price regulation in midyear of 1951. For several months prior to that time we were selling some of our lines at practically no profit. On the other hand, due to competitive conditions and general business policy our prices as a whole have been kept below the ceiling prices established by the Government.

The net profit for 1952 was slightly more than for 1951 and amounted to \$9,647,234 as compared with \$9,131,360. During the year 1952, following the general trend, practically all categories of our costs and expenses were higher. Cocoa beans were somewhat lower in price which compensated in part for the increases in wages, freight, fuel, sugar, milk, almonds, and other materials and supplies.

After deducting Preferred stock dividends the net profit was equivalent to \$3.81 per share of Common stock in 1952 as compared with \$3.66 per share in 1951. Cash dividends of \$2.00 per share plus a two percent stock dividend were paid on the Common stock in each year, as well as the regular dividends of \$2.12- $\frac{1}{2}$ on the Preferred stock.

The provision for Federal and Pennsylvania income taxes amounts to \$10,115,000 as compared with net profit of \$9,647,234. This year the Federal income tax law requires forty percent of the taxes to be paid by March 15 and forty percent more by June 15; that is, almost \$8,000,000 in the first six months. We have purchased tax anticipation securities to cover all our Federal income tax liabilities. No excess profits tax provision was required as

our excess profits tax base is greater than the taxable income for the year. After Federal review, it was found that we were not liable for any renegotiation refunds for the years 1950 or 1951. We do not believe any refund likely for 1952.

Due to the inflationary trends over a long period and the uncertainty of these trends as well as general economic and business conditions in the future, we have taken further steps to strengthen the financial condition of the Corporation, as has been our policy in the past. Working capital at December 31, 1952 amounted to \$42,786,511 or \$3,413,501 more than at the close of 1951. It was again necessary to borrow substantial amounts on a short-term basis during the year because of the seasonal nature of the business. However, all of such loans were repaid before the end of the year.

At the close of 1952 inventories were less by \$3,323,519 than at the close of the previous year. These inventories represent about seventy percent of the total current assets inasmuch as the Corporation is required to maintain large inventories in addition to making sizable purchase commitments to assure an adequate supply of cocoa beans. A substantial portion of the inventories is stated at cost on a last-in, first-out basis, and these basic LIFO inventories have been maintained.

The program that was initiated some six years ago for the improvement of the plant and distribution system was continued and the amount expended in 1952 amounted to about \$1,900,000. We have now completed all of the major projects which we had in mind at that time. During the year 1953 we will probably spend some one million five hundred thousand dollars to improve operation, reduce costs, and for new items. The research program is progressing satisfactorily from numerous standpoints such as rendering service to manufacturing, sales and other departments; maintaining and improving the quality of our products; and investigating the possibility and development of new items.

Financial statements as of December 31, 1952, which have been examined by Arthur Andersen & Co., are appended.

The continued success of our business depends upon the loyalty, cooperation and good will of our officers and employees, and I wish to express my appreciation for a job well done during the past year.

Respectfully submitted,

P. A. STAPLES

President

February 24, 1953

HERSHEY CHOCOLATE

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash	...	\$10,370,289
United States Government securities	..	158,024
Accounts receivable, less reserves of \$466,790.		4,785,698
Inventories (lower of average cost or market, except for cocoa beans and cocoa bean content of goods in process and finished goods inventories which are stated at cost on last-in, first-out basis)		32,341,367
Total current assets		<u>\$47,655,378</u>

PLANT AND PROPERTY, at cost:

Land	\$ 98,230	
Buildings and improvements	12,458,619	
Machinery and equipment	20,817,005	
Construction in progress	364,551	
		<u>\$33,738,405</u>	
Less—Reserves for depreciation		16,874,303	16,864,102

DEFERRED AND PREPAID ITEMS

846,631
<u>\$65,366,111</u>

NOTE: The Preferred Stock is redeemable by the Corporation. During 1953 the price is \$51 per share. Upon voluntary liquidation such Preferred Stock is on price and, upon involuntary liquidation, to \$50 per share. Such prices and amounts (with certain exceptions) conditioned upon compliance with sinking fund average of 5,075 shares of the Preferred Stock per annum.

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EET - DECEMBER 31, 1952

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities . . .	\$ 3,617,311
Dividend payable February 14, 1953 on Series A cumulative preferred stock . . .	129,408
Reserve for state taxes	1,122,148
Reserve for Federal income taxes	\$10,768,359
Less United States Treasury Savings Notes and tax anticipation securities.	<u>10,768,359</u>
	-
Total current liabilities	\$ 4,868,867

RESERVE FOR PAST SERVICE COST OF PENSIONS

1,279,143

CAPITAL STOCK AND SURPLUS:

Series A 4- $\frac{1}{4}$ % cumulative preferred stock, par value \$50 per share (see Note)— Authorized 243,693 shares; outstanding 243,592 shares	\$12,179,600
Common Stock, without par value— Authorized 3,000,000 shares; outstanding 2,399,251 shares	4,200,716
Earned surplus	<u>42,837,785</u>
	59,218,101
	<u>\$65,366,111</u>

g 1953 the optional redemption price is \$52.50 per share and the sinking fund redemption
ock is entitled to a preferential amount equal to its then applicable optional redemption
and amounts are plus accrued dividends. Dividends on, or purchases of, Common Stock
fund provisions requiring the Corporation to have purchased or redeemed a cumulative

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1952

PROFIT AND LOSS

GROSS SALES, LESS DISCOUNTS, RETURNS AND ALLOWANCES		\$152,663,083
COST OF GOODS SOLD, SHIPPING, SELLING, AD- MINISTRATIVE AND GENERAL EXPENSES		132,900,849
		<u>\$ 19,762,234</u>
PROVISION FOR INCOME TAXES:		
Federal normal and surtax (no provision required for excess profits tax)	\$ 9,500,000	
Commonwealth of Pennsylvania income tax ..	615,000	10,115,000
Net profit for the year		<u>\$ 9,647,234</u>

NOTE: Costs and expenses include provision for depreci-
ation of plant and equipment in the amount of \$1,065,210

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1951		\$ 40,262,406
ADD - Net profit for the year 1952		9,647,234
		<u>\$ 49,909,640</u>
DEDUCT:		
Dividends—		
Dividends declared on Series A 4¼% cumulative preferred stock (\$2.12½ per share)	\$ 517,644	
Dividends on Common Stock -		
Cash dividends paid (\$2.00 per share)	4,709,806	
2% stock dividend -- 44,348 shares recorded in common capital stock account at \$39 per share	1,729,572	
Cash payments in lieu of fractional shares in connection with stock dividend.	114,833	7,071,855
EARNED SURPLUS AT DECEMBER 31, 1952		<u>\$ 42,837,785</u>

AUDITORS' CERTIFICATE

**To the Board of Directors,
Hershey Chocolate Corporation:**

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1952, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1952, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

**New York, N. Y.
February 9, 1953.**

HERSHEY CHOCOLATE CORPORATION

**EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA**

WAREHOUSES

Atlanta, Ga.	Kansas City, Mo.
Billings, Mont.	Little Rock, Ark.
Cambridge, Mass.	Los Angeles, Cal.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New York, N. Y.
Dallas, Texas	Oklahoma City, Okla.
Davenport, Iowa	Omaha, Neb.
Denver, Colo.	Pittsburgh, Pa.
Detroit, Mich.	Portland, Ore.
East St. Louis, Ill.	St. Paul, Minn.
Houston, Texas	Salt Lake City, Utah
Jacksonville, Fla.	San Francisco, Cal.
Seattle, Wash.	

SALES OFFICES

In all principal cities in the United States

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

MILK CHOCOLATE KISSES

ALMOND BARS

BAKING CHOCOLATE

SEMI-SWEET BARS

DAINTIES

KRACKEL BARS

BREAKFAST COCOA

MR. GOODBAR

CHOCOLATE SYRUP

MINIATURE BARS

HOT CHOCOLATE POWDER

MILK CHOCOLATE FUDGE TOPPING

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

COCOA POWDER

UNSWEETENED CHOCOLATE

CHOCOLATE SYRUP

COCOA BUTTER

MILK CHOCOLATE FUDGE